

OPEN MEETING AGENDA ITEM



October 28, 2020

RE: In the Matter of the Possible Modifications to the Arizona Corporation Commission's Energy Rules
Docket No. RU-00000A-18-0284

Chairman Burns and Commissioners,

Western Grid Group appreciates your continued interest in modernizing the Integrated Resource Planning provisions and all the Energy Rules. In this filing is an amendment that brings together provisions from amendments offered by several commissioners into a single document to assist in consideration of the Integrated Resource Planning (IRP) provisions as a package. **This IRP package is a compromise that is supported by the Sierra Club, Southwest Energy Efficiency Project, Arizona Public Interest Research Group Education Project and Western Grid Group, and that will improve the resource planning process.**

The foundation of this amendment is Commissioner Lea Marquez Peterson's Second Revised Amendment No. 2 (as filed on October 9 2020). All changes to this amendment are highlighted in red.

While some changes are self-evident or technical corrections, we offer the following explanation for the following recommended changes:

- **Delete Section R14-2-2712 - Commission Review and Approval** as this section in the staff draft includes dates and requirements that conflict with the Marquez Peterson Second Revised Amendment No. 2, including referencing a Preliminary IRP, which does not exist in the new, proposed IRP construct.
- **Maintain R14-2-2714 - Independent Monitor Selection and Responsibilities** as utilities find value in having an independent consultant review their procurement processes.
- **Changes R14-2-2706(A)(1) - Development of Proposed Load Forecast and Needs Assessment** section from a 10 to 15-year Load Forecast and Need Assessment to be consistent with the 15 years specified in R14-2-2709 ASRFP Process; Resource Plan Approval.
- **Changes R14-2-2716- Waivers and Exemption to:**
 - Adopt Alternative A for subsection C and D as the language is sufficient and clear.
 - Adds new subsections C 2 - 5 to address concerns expressed by utilities to have waivers available to provide reliable and safe electric service.

We appreciate your consideration of this complete IRP package.

Respectfully,

Amanda Ormond

amanda@westerngrid.net

Director

Western Grid Group

Sandy Bahr

sandy.bahr@sierraclub.org

Director, Grand Canyon Chapter

Sierra Club

Ellen Zuckerman

ezuckerman@swenergy.org

Co-Director, Utilities Program

Southwest Energy Efficiency Project

Diane Brown

dbrown@arizonapirg.org

Executive Director

Arizona PIRG Education Fund

Proposed changes (in red) to Commissioner Lea Marquez Peterson's Second Revised Amendment No. 2 (as filed on October 9, 2020)

Purpose: This amendment includes the following:

- **Commissioner Lea Marquez Peterson's Revised Amendment No. 2** (as filed on September 25, 2020)
- **Changes & Additions from Chairman Bob Burns, including:**
(as requested in his letter filed on October 8, 2020)
 - Minor changes and recommendations;
 - Most of the Definitions
 - All-Source Request for Information;
 - Penalty provision for the misuse of the emergency waiver, and Deletion of "new subsection (D)" in Cost Recovery & Pendency to allow for the accommodation of Commission Dunn's Revised Proposed Amendment No. 1.
- **Addition of "Approval" definition from Chairman Burns Proposed Burns Revised No. 2** (as filed on September 24, 2020)
- **Addition to R14-2-2709(J) from Commissioner Dunn Proposed Amendment No. 2** (as filed July 28, 2020) allowing that staff can direct utilities to pay for consultants.
- **Changes & Additions from Western Grid Group** (as filed October 13, 2020)
- **not including:**
 - Definitions that require further Commission discussion, such as those related to commissioners' amendments on solar and energy storage, and
 - Additions to Commissioner Lea Marquez Peterson's proposed R14-2-2709(C), which represent a major policy decision and should be discussed in-detail by the Commission, in a separate amendment.
- Removes "a rural electric cooperative" from the Stakeholder Group (consistent with the removal of "an investor-owned utility that is not the LoadServing Entity," as discussed during the Special Open Meeting on September 24, 2020)

AMEND Appendix A in the Proposed Order.

PAGE 45

Under R14-2-2701. Definitions

AMEND Paragraph 4 "All-Source Request for Information":

DELETE: Utility's resource needs.

INSERT: Utility's resource and reliability needs.

Page 49

Under R14-2-2701.

Definitions DELETE the following defined terms:

"Limited-Income Customer"

INSERT new defined terms:

"All-Source Request for Information" or "ASRFI" means a process wherein a Utility solicits information from market participants to address the Utility's resource and reliability needs.

"Approval" means Commission authorization to take an action or implement a plan, but is not a determination that the action to be taken or the implementation of a plan is prudent for the purposes of ratemaking or cost recovery."

"Clean Energy" means energy produced by a Clean Energy Resource.

"Conventional Energy Resource" means a Generating Unit that is not a Clean Energy Resource.

"Dispatchable Resource" means an electric power system resource for which power output supplied to the electric grid can be turned on and off or otherwise adjusted on demand.

"Federal Poverty Level" means the U.S. federal poverty guideline for the pertinent household size published annually in the Federal Register by the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, and available at <https://aspe.hhs.gov/poverty-guidelines>.

"Impacted Communities" means cities, towns, counties, communities, tribes, census designated areas, and non-incorporated geographic areas that will be negatively affected, financially or socially, by the closure of Conventional Energy Resources or mining facilities, located in or near their jurisdictions, that have been a source of economic income and employment.

"Limited-Income Customer" means: (a) a residential Customer with annual household income at or below 250 percent of the Federal Poverty Level, or (b) a residential Customer with annual household income at or below a percentage of the Federal Poverty Level higher than 250 percent, as established by an Electric Utility in a Commission-approved Tariff.

"Person" means an individual, partnership, corporation, limited liability company, governmental agency, or other organization operating as a single entity.

"Renewable Energy" means energy produced by a Renewable Energy Resource.

"Resource Planning Advisory Council" or "RPAC" means the group of interested Persons formed by a Load-Serving Entity as required by R14-2-2706(A)2, unless the Load-Serving Entity is a Load-Serving Cooperative, in which case "Resource Planning Advisory Council" or "RPAC" means the Load-Serving Cooperative's Board of Directors.

"Tariff" means a document setting forth requirements related to an Electric Utility's service, such as rates and charges, other terms and conditions of service, available program offerings or any combination of these that have been approved by the Commission.

Pages 55-75

DELETE

R14-2-2706. Preliminary Integrated Resource Plan

R14-2-2707. Integrated Resource Plan

R14-2-2709. Public Advisory Process

R14-2-2712. Commission Review and Approval

R14-2-2713. Resource Procurement

~~R14-2-2714. Independent Monitor Selection and Responsibilities~~

INSERT

R14-2-2706. Development of Proposed Load Forecast and Needs Assessment

- A. To develop the Load Forecast and Needs Assessment, a Load-Serving Entity shall:
 - 1. Prepare at least five alternative ~~10-15~~-year Load Forecasts and Needs Assessments, which shall include:
 - a. A Load Forecast and Needs Assessment showing the load growth expected by the Load-Serving Entity based on available data;
 - b. A Load Forecast and Needs Assessment showing the load growth expected by the RPAC based on available data;
 - c. A Load Forecast and Needs Assessment showing no load growth;
 - d. A Load Forecast and Needs Assessment showing lower than expected load growth, and
 - e. A Load Forecast and Needs Assessment showing higher than expected load growth.

2. To facilitate stakeholder participation throughout the resource planning process, form a Resource Planning Advisory Council, in compliance with subsection (B);
 3. Supply the RPAC all data and information used by the Load-Serving Entity in the development of its Load Forecast and Needs Assessment, which shall include, but not be limited to, modeling assumptions, outputs, and methodologies used;
 4. Respond to data requests from RPAC members pursuant to the requirements of A.A.C. R14-3-101 and specific Commission orders regarding discovery;
 5. Meet with the RPAC in a workshop environment to obtain input on the validity of each alternative Load Forecast and Needs Assessment and recommendations for the Load Forecast and Needs Assessment to be proposed to the Commission; and
 6. After good faith consideration of the input and recommendations received from the RPAC, refine the Load Forecast and Needs Assessment.
- B. In forming a Resource Planning Advisory Council, a Load-Serving Entity shall:
1. Ensure that the RPAC includes a diverse range of interested persons including but not limited to representatives from public interest groups, a consumer advocate or advocacy group, a low or fixed-income consumer advocate or advocacy group, a member of the public at large, a representative of each Customer Class served by the Load-Serving Entity, an environmental advocate, and a representative from each of the following industries: renewable energy; energy efficiency or demand-side management; energy storage, and electric vehicles.

R14-2-2707. Load Forecast and Needs Assessment Approval

- A. A Load-Serving Entity shall, by August 1 of every third year, beginning with August 1, 2021, file with the Commission, in a new Docket, a Request for Approval of Load Forecast and Needs Assessment, which shall include the refined Load Forecast and Needs Assessment created under R14-2-2706 and all of the data and information used to develop the refined Load Forecast and Needs Assessment, including but not limited to the modeling assumptions, outputs, and methodologies used.
- B. Staff shall, within 90 days after the Request for Approval is filed:
 1. Analyze the Load Forecast and Needs Assessment;
 2. Schedule at least one Commission workshop at which input regarding the Load Forecast and Needs Assessment can be provided by interested persons;
 3. Provide the public notice of each Commission workshop through a filing in the docket and posting on the Commission's website, and
 4. Accept input regarding the Load Forecast and Needs Assessment through at least one Commission workshop and written comments.
- C. Within 30 days after the final Commission workshop, Staff shall file a Memorandum and Proposed Order recommending a Load Forecast and Needs Assessment to be used for the Load-Serving Entity.

- D. Within 30 days after the Memorandum and Proposed Order is filed, the Commission shall consider the Proposed Order at an Open Meeting.
- E. The Commission shall issue a decision approving a Load Forecast and Needs Assessment to be used in the Load-Serving Entity's All Source Request for Information. In this decision, the Commission shall state the minimum amount of load that shall be served through Cost Effective Energy Efficiency and may state the minimum amount of load that shall be served through Clean Energy, Renewable Energy, Distributed Generation, Distributed Storage and Cost Effective Demand-Side Resources.

R14-2-2708. All Source Request For Information

- A. After its Load Forecast and Needs Assessment are approved by the Commission, a Load-Serving Entity shall develop an ASRFI, which shall be:
 - 1. Designed to obtain bids from numerous and diverse vendors of Supply-Side Resources and Demand-Side Resources that may be able to meet all or any part of the Load-Serving Entity's Load Forecast and Needs Assessment approved under R14-2-2707;
 - 2. Designed to enable Demand Side Resources and Supply-Side Resources to compete on equal footing and not limited to Dispatchable Resources;
 - 3. Designed to meet the needs and system requirements developed in the approved Load Forecast and Needs Assessment as safely and reliably as possible, while prioritizing the factors set forth under R14-2-2709(C);
 - 4. Technology neutral;
 - 5. Fuel neutral;
 - 6. Location neutral, **except for compliance with subsection R14-2-2709(C);**
 - 7. Size neutral;
 - 8. Vendor neutral; and
 - 9. Designed to provide notice to bidders that RPAC members will be able to review the bids resulting from the ASRFI.
- B. After developing draft language for its ASRFI, a Load-Serving Entity shall:
 - 1. Provide copies of the draft ASRFI language to the RPAC members;
 - 2. Meet with the RPAC in a workshop environment to obtain input on the draft ASRFI language and recommendations for any changes; and
 - 3. After good faith consideration of the input and recommendations received from the RPAC, refine the ASRFI language.
- C. A Load-Serving Entity shall submit to Staff, for review and approval, the refined ASRFI language created under subsection (B)(3).
- D. Staff shall, within 30 days after receiving a Load-Serving Entity's refined ASRFI language, approve or request modification to the ASRFI language. If the ASRFI language complies with subsection(A), Staff shall approve the ASRFI language. If the ASRFI language does not comply with subsection (A), Staff and the Load-Serving Entity shall attempt in good faith to reach agreement on ASRFI language that complies to subsection (A). Staff shall file a notice of its approval.
- E. If Staff issues a request for modification of the ASRFI language and Staff and the Load-Serving Entity are unable to reach agreement on the Load-Serving Entity's ASRFI language, the following shall occur:

1. Staff shall, within 60 days after receiving the Load-Serving Entity's refined ASRFI language, file a Memorandum and Proposed Order recommending ASRFI language that complies with subsection (A) to be used by the Load-Serving Entity;
 2. Within 30 days after the Memorandum and Proposed Order is filed, the Commission shall consider the Proposed Order at an Open Meeting; and
 3. The Commission shall issue a decision approving ASRFI language that complies with subsection (A) to be used by the Load-Serving Entity.
- F. If Staff approves the ASRFI language for compliance with subsection (A), or if Staff issues a request for modification of the ASRFI language and Staff and the Load-Serving Entity are able to reach agreement on the ASRFI language's compliance with subsection (A), but an RPAC member disagrees with the ASRFI language, the RPAC member may, within 5 days after Staff files its notice of approval, file a request for review of the ASRFI language by the Commission. In a request for review of the ASRFI language, the RPAC member shall propose alternative ASRFI language that complies with subsection (A).
- G. If the Commission chooses to review ASRFI language pursuant to a request made under subsection (F), the Commission **within 45 days of the RPAC member disagreement** shall:
1. Consider the Load-Serving Entity's ASRFI language and the proposed alternative ASRFI language at an Open Meeting, and
 2. Issue a decision approving ASRFI language that complies with subsection (A) to be used by the Load-Serving Entity.
- H. If Staff approves the ASRFI language for compliance with subsection (A), or if Staff issues a request for modification of the ASRFI language and Staff and a Load-Serving Entity are able to reach agreement on the Load-Serving Entity's ASRFI language, and subsection (F) does not apply, the Load-Serving Entity shall use the ASRFI language.

R14-2-2709. ASRFI Process; Resource Plan Approval

- A. A Load-Serving Entity shall conduct the ASRFI process using the ASRFI language resulting from R14-2-2718(E), (G), or (H).
- B. After the ASRFI bid submission deadline has passed, a Load-Serving Entity shall:
 1. Review and consider each bid submitted to satisfy all or any part of the Load-Serving Entity's approved Load Forecast, taking into account the provisions of subsection (C);
 2. Formulate draft Resource Plans, including a preferred Resource Plan and at least two alternative Resource Plans, describing all of the energy resources the Load-Serving Entity believes should be used to meet its 15-year Load Forecast and Needs Assessment and setting forth data and analyses providing justification for its choices;
 3. After developing a draft Resource Plan:
 - a. Provide copies of the draft Resource Plan to the RPAC members;
 - b. Meet with the RPAC in a workshop environment to obtain input on the draft Resource Plan and recommendations for any changes; and

- c. After good faith consideration of the input and recommendations received from the RPAC, refine the Resource Plan ~~language.~~
- C. When determining the resources to include in its refined Resource Plan, a Load-Serving Entity shall prioritize the following:
 1. In considering separate Clean Energy Implementation Plan set forth under R14-2-2705; and
 2. Minimizing the cost of providing electric energy service to Customers through a combination of Supply-Side Resources and Demand-Side Resources that will result in the lowest overall, lifetime costs to safely and reliably meet Customers' energy needs.
 3. **Give preferential treatment to Renewable and Clean Energy Resources sited or deployed in Impacted Communities.**
- D. In addition to the factors set forth in subsection (C), when determining the lowest overall, lifetime costs to safely and reliably meet its Load Forecast and Needs Assessment, meet the Clean Energy Implementation Plan set forth under R14-2-2705, and minimize the cost of providing electric energy service to Customers, a Load-Serving Entity may, when determining the resources to include in its refined Resource Plan, also consider factors that have a reasonable nexus to ratemaking, such as, but not limited to, the following:
 1. Improving system reliability and resiliency;
 2. Providing adequate service to customers;
 3. Diversifying fuel supplies and technologies;
 4. Stabilizing the electric power supply;
 5. Decreasing peak demand;
 6. Decreasing demand during hours when the price per kwh for average customers is highest;
 7. Providing opportunities for additional savings;
 8. Improving the economic capacity of new and existing resources;
 9. Reducing the need to build new transmission to support the new resources;
 10. Reducing the risk of losing transmission to natural disaster or other unanticipated events;
 11. Improving the efficiency of the transmission grid;
 12. Reducing the costs associated with complying with local, state, and federal regulations;
 13. Improving grid security and the personal health and safety of patrons and employees;
 14. Meeting the demand for electricity in the least costly way to society;
 15. Providing environmental benefits or reducing environmental impacts, such as, but not limited to, benefits and impacts regarding air and water pollution, emissions, ground water and surface water pollution and consumption, recyclability of resources and of resources' respective parts and components, and the carbon footprint and environmental impacts and benefits of each resource's full lifecycle and supply chain and of the full lifecycles and supply chains of each of the resource's respective parts and components;

16. Providing economic benefits or reducing economic impacts, such as, but not limited to, benefits and impacts related to economic development, job creation or retention, customer growth or retention, location or jurisdiction of manufacture, location or jurisdiction of the source of the resource's respective parts and components, and the development of new technologies, innovations, or pilot programs,;
 17. Minimizing the occurrence or appearance of anti-competitive behavior and self-dealing between Electric Utilities and Affiliated interests;
 18. Benefit to Impacted Communities; and
 19. Public Interest
- E. A Load-Serving Entity shall file with the Commission, in the docket created for the Load Forecast and Needs Assessment, the refined Resource Plan language created under subsection (B)(3). The Load-Serving Entity shall include in its filing any additional data or analyses that it believes Staff or the Commission will find useful in considering the Resource Plan and shall provide to Staff and the Commission any additional information requested after the initial filing.
- F. Staff shall, within 90 days after the Resource Plan is filed:
1. Analyze the Resource Plan, prioritizing the factors set forth in subsection (C);
 2. Schedule at least one Commission workshop at which input regarding the Resource Plan can be provided by interested persons;
 3. Provide the public notice of each Commission workshop through a filing in the docket and posting on the Commission's website; and
 4. Accept input regarding the Resource Plan through at least one Commission workshop and written comments.
- G. Within 30 days after the final Commission workshop, Staff shall file a Memorandum and Proposed Order recommending a Resource Plan to be used by the Load-Serving Entity, which shall either:
1. Recommend a Resource Plan that prioritizes the factors set forth in subsection (C), or
 2. If the Memorandum and Proposed Order does not recommend a Resource Plan that prioritizes the factors set forth in subsection (C), then:
 - a. Explain why the Memorandum and Proposed Order recommends a Resource Plan that does not prioritize the factors set forth in subsection (C); and
 - b. Identify the factors set forth in subsection (D) that the recommended Resource Plan prioritizes instead
- H. Within 30 days after the Memorandum and Proposed Order is filed, the Commission shall consider the Proposed Order at an Open Meeting.
- I. The Commission shall issue a decision approving a Resource Plan to be implemented by the Load-Serving Entity. The first five years of the approved Resource Plan shall constitute the Load-Serving Entity's Action Plan.
- J. Staff may hire consultants, as necessary, to meet the obligation and timelines of R14-2-2706 – R14-2-2709. The Commission may order the Load Serving Entity to fund an independent consultant to be selected by Staff to assist in Staff's analysis.

R14-2-2713. Implementation of Action Plan

- A. A Load-Serving Entity shall implement the Action Plan approved for it by the Commission.
- B. A Load-Serving Entity that determines, during the implementation period for its most recently approved Action Plan, that the Load-Serving Entity will be unable to implement any portion of the Action Plan due to circumstances beyond the Load-Serving Entity's control, shall file with the Commission, in a new docket, notification of the circumstances preventing implementation along with any appropriate request for extension or waiver under R14-2-2711.

Pages 75

R14-2-2715. Confidential Information

Subsection (A)(2)

DELETE

Or court opinion

INSERT

Court opinion, or other basis

Under R14-2-2716. Waivers and Exemption

INSERT new subsection (C)

~~(ALTERNATIVE A)~~

- C. A Load-Serving Entity shall comply with R14-2-2708(a), R14-2-2709 (A) and R14-2-2713 (A), unless one of the following exceptions applies:
 - 1. The Load-Serving Entity is experiencing an Emergency; or

~~(ALTERNATIVE B)~~

~~C. Notwithstanding R14-2-2707, R14-2-2708, and R14-2-2709, nothing in this Article shall prevent a Load-Serving Entity from executing a transaction that fails to comply with R14-2-2708(A), R14-2-2709(A), or R14-2-2713(A), and a transaction a Load-Serving Entity executes that fails to comply with R14-2-2708(A), R14-2-2709(A), or R14-2-2713(A) shall be deemed exempt, if one of the following exceptions applies and the Load-Serving Entity provides written notice of one of the following to the Commission not more than 5 days from the Load-Serving Entity's knowledge of one of the following, and the Load-Serving Entity provides written notice of the transaction to the Commission not more than 5 days following the date of the transaction:~~

- ~~1. — The Load-Serving Entity is experiencing an Emergency, the transaction is needed to address the emergency, and the transaction's failure to comply with R 14-2-2708(A), R 14-2-2709(A), R14-2-2713(A) is justified due to the Commission's delay or inaction or because compliance with R14-2-2708(A), R14-2-2709(A), or R14-2-2713(A) would prevent the Load-Serving Entity from timely addressing the Emergency, or~~

INSERT new subsections (C)(2) – (5)

2. The Load-Serving Entity needs to make a short-term acquisition to maintain system reliability and that acquisition is for a period of no more than 24 months from the time executed.
3. The load-serving entity needs to acquire short term economic purchases for 15 months or less, and/or other components of energy procurement, such as fuel, fuel transportation, or transmission;
4. The transaction presents the load-serving entity a genuine, unanticipated opportunity to acquire a power supply resource at a clear and significant discount, compared to the cost of acquiring new generating facilities, and will provide unique value to the load-serving entity's customers; and
5. The load serving entity is adding capacity and/or energy from newly-constructed supply-side resources with a net total nameplate rating of not more than 25 MW per year and 100 MW per five-year planning cycle. Projects supporting renewable energy and battery deployment will be prioritized over adding or supporting fossil capacity.

INSERT new subsection (D)

(ALTERNATIVE A)

- D. If the Commission later determines that the Load-Serving Entity was not ~~experiencing an emergency or did not need to make an immediate acquisition to maintain system Reliability~~ entitled to invoke one of the exceptions of subsection (C), the Commission shall not allow cost recovery of the Load-Serving Entity's actions related to such an event.

(ALTERNATIVE B)

- ~~D. — If a Load-Serving Entity executes a transaction that fails to comply with R14-2-2708(A), R14-2-2709(A), or R14-2-2713(A), and the Commission determines an element of subsection (C)(1) or (C)(2) was missing at the time of the transaction, the Commission may invoke the remedy authorized in A.A.C. R14-2-804(D), pursue penalties for violation of Commission rules under A.R.S. § 40-425, deny cost recovery of the Load-Serving Entity's actions related to such transaction, or pursue any combination of these.~~